

**UNITED STATES DEPARTMENT OF AGRICULTURE**

Farm Service Agency  
Washington, DC 20250

**Notice FC-142**


1910-A

1980-B

**For:** State and County Offices

**Creditworthiness Determinations**

**Approved by:** Acting Deputy Administrator, Farm Loan Programs



**1 Overview**

**A**

**Background**

The Department of Agriculture Reorganization Act of 1994 repealed the statutory provisions mandating FSA to specifically consider an applicant's:

- character, industry, and ability to carry out the proposed operation
- honesty in endeavoring to carry out obligations associated with the loan.

Creditworthiness, however, must still be considered in relation to FmHA Instructions:

- 1910-A, section 1910.5
- 1980-B, section 1980.114 ADMINISTRATIVE C.

**B**

**Purpose**

This notice:

- obsoletes Notice FC-117
- provides guidance for determining creditworthines for direct and guaranteed loans
- clarifies that the loan approval official will make determinations of acceptable credit history.

**Disposal Date**

August 1, 1998

**Distribution**

State Offices; State Offices relay to County Offices

## 2 Action

### A

#### Approving Official

The loan approval official will make determinations of acceptable credit history in both direct and guaranteed programs according to FmHA Instructions:

- 1910-A, section 1910.5(c) for direct loans
- 1980-B, section 1980.114 ADMINISTRATIVE C for guaranteed loans.

**Notes:** FmHA Instruction 1980-B, section 1980.114  
ADMINISTRATIVE C requires, in part, that:

- the loan approval official determine whether the repayment plan is realistic
- this determination be based on:
  - prudent lending principles, with consideration given to local lending practices
  - the current and historical information available.

An unacceptable credit history, therefore, will be grounds to determine that the repayment plan is not realistic.

If the applicant has an unacceptable credit history, the approval official shall:

- deny the loan on the basis of a lack of creditworthiness (7 CFR 1910.5), or deny the loan guarantee on the basis of inadequate repayment ability and unacceptability of the farm plan (7 CFR 1980.114)
- provide the applicant, and lender for guaranteed loans, with appeal rights.

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**2 Action (Continued)**

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**B**

**Determining  
Creditworthiness**

Nonpayment of debts or delinquent payments because of circumstances within an applicant's control may be used as an indication of unacceptable credit history. However, there are certain circumstances that do not constitute an indication of unacceptable credit history as outlined in FmHA Instruction 1910-A, section 1910.5(c).

These same guidelines should be considered in determining whether the guaranteed loan borrower has adequate repayment ability and an acceptable farm plan under FmHA Instruction 1980-B, section 1980.114.

In addition, the creditworthiness of applicants, who deliberately falsify information or intentionally omit information relevant to the loan decision, is highly questionable. These individuals may also be subject to criminal prosecution and should be referred to OIG.

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**C**

**Contact**

Direct questions about this notice to Kathleen Miller or Bob Bonnet, LMD, through the Area Office.

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**D**

**Obsolete Notice**

Notice FC-117 is obsolete.

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